



Director of
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CHINA-US: Beijing's Criticisms

Beijing is expressing continuing unhappiness with US policies toward China and Taiwan while simultaneously underscoring its desire for closer ties with Washington over the longer term. []

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Chinese leaders told a US Congressional delegation this week that the joint communique of last August and Secretary Shultz's recent visit have not reduced bilateral irritants. Premier Zhao told the delegation he was optimistic about the longer term but dissatisfied with the current relationship. []

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Party leader Deng took the same line, stressing Sino-US agreement on many strategic questions but also citing the obstacles to improved ties. Deng singled out the Taiwan Relations Act as the major impediment. []

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The official Chinese media have dwelled on sources of irritation over the past month. For example, they recently accused the US of blocking Chinese admission to the Asian Development Bank by refusing to support Beijing's demand for the expulsion of Taiwan. The press also has replayed official unhappiness over the recent announcement of new US arms sales to Taipei. []

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Comment: Although China's criticism of the US has increased, Beijing has not threatened to downgrade relations—as it did two years ago when the US proposed the sale of FX aircraft to Taiwan. Chinese leaders probably are emphasizing the possibility of improved relations in hopes of creating Congressional pressure to placate Beijing, especially on the level of arms sales to Taiwan and US restrictions on technology transfer. []

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USSR-EASTERN EUROPE: Military Sales Efforts

The USSR is not having much success in persuading its Warsaw Pact allies to modernize their military forces and in selling more arms to Yugoslavia. []

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A Warsaw Pact military attache claims that Moscow is trying to get the East Europeans to buy newer aircraft, surface-to-air missiles, tanks, and command and control communications equipment. He says that Bulgaria has purchased a limited number of MIG-25 aircraft and T-72 tanks and Romania has bought a few MIG-23s. The attache asserts that the Soviets are selling the equipment at "reasonable" prices, but with differing methods of payment from country to country. []

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The USSR is offering Yugoslavia payment arrangements that are even more favorable than those proposed to the Warsaw Pact countries. Belgrade reportedly has purchased between 100 and 200 T-72 tanks. []

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Comment: The Soviets are concerned about the widening gap between the capabilities of their own units and those of their allies. Their efforts to promote force modernization, however, are not likely to make rapid headway. Limited purchases by Bulgaria and reports of protracted negotiations with Romania over the cost of equipment indicate that both countries are reluctant to take on the financial burden of military modernization. []

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Yugoslavia's favorable response is not a significant change in its longstanding but limited military trade relationship with the USSR. Moscow's offer of concessionary terms strongly suggests that it hopes the sales will eventually provide political leverage. The Yugoslavs produce 80 percent of their own military equipment, however, and thus do not appear susceptible. []

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USSR-US: Possible Response to INF Proposal

Soviet officials have told Western journalists in Moscow that Foreign Minister Gromyko will hold an international news conference tomorrow. [redacted]

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Comment: Gromyko almost certainly intends to issue the official response to President Reagan's interim INF proposal, and the unusual forum suggests concern about the proposal's impact on world opinion. The Foreign Minister is likely to reiterate that the US proposal violates the principle of equal security because of geographical factors and because Soviet missiles allegedly are deployed to offset British and French forces and US forward-based systems. Gromyko nonetheless may hold open the possibility of further movement in the talks, thus seeking to direct public opinion back to the question of US flexibility on issues of greatest concern to the USSR. He is less likely to present a counteroffer, which would make Moscow appear to concede the initiative on INF to US public diplomacy. [redacted]

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USSR-US: Grain Purchases

The Soviets this week entered the US grain market for the first time since mid-December. [redacted] they are buying up to 500,000 tons of corn for immediate delivery. Thus far, purchases of 200,000 tons have been confirmed by the US Department of Agriculture. [redacted]

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Comment: Some grain traders believe that the Soviets turned to the US after their attempts to ship corn from Argentina were frustrated by Argentine port congestion and loading delays. Moscow is likely to continue to limit its grain purchases from the US as much as possible until a new long-term grain agreement is negotiated with Washington. [redacted]

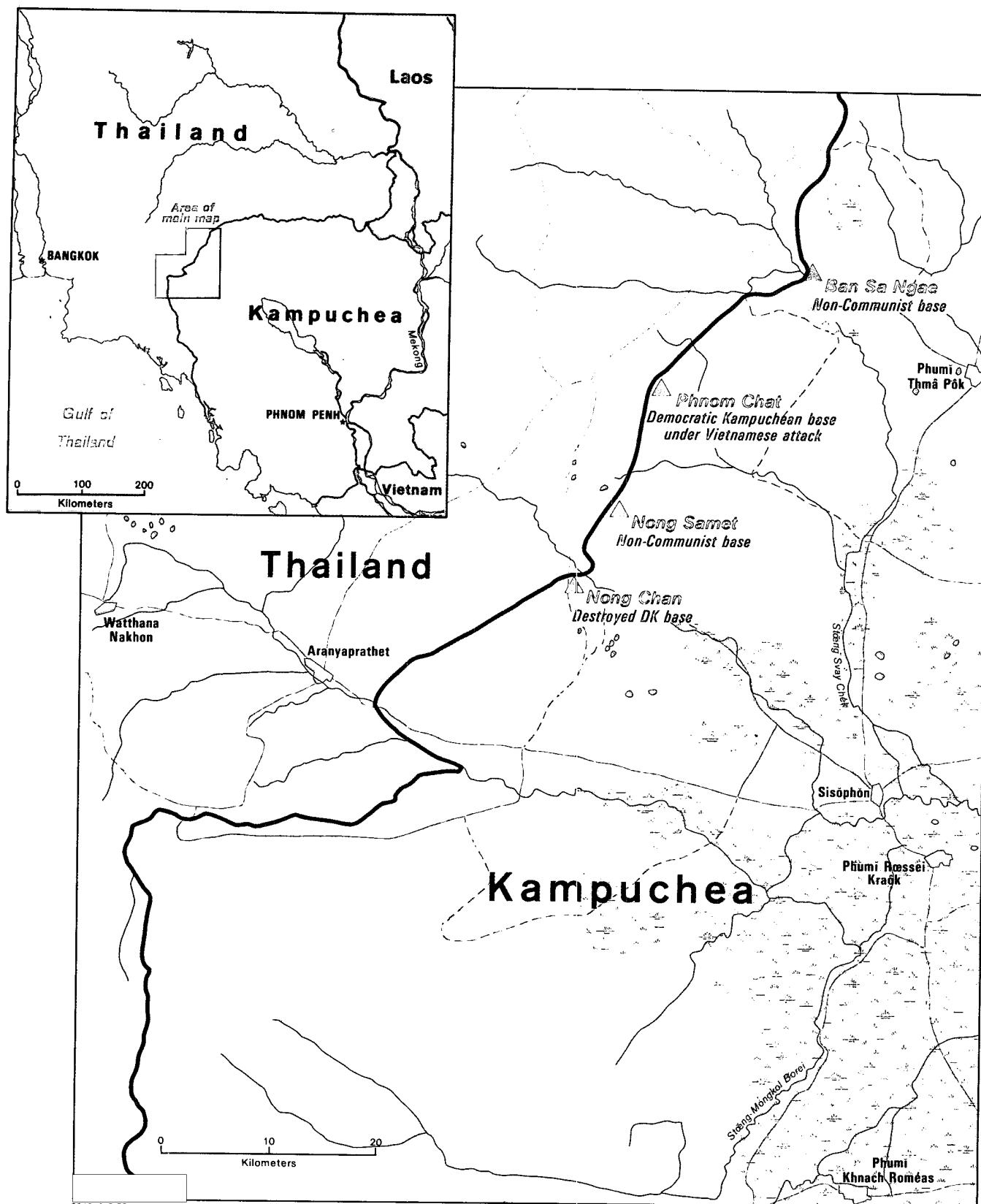
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VIETNAM-KAMPUCHEA: Attack on Resistance Base

Vietnam's attack on the Democratic Kampuchean resistance stronghold at Phnom Chat involves elements of four Vietnamese infantry regiments supported by armor and artillery. Communist guerrilla leaders say the Pol Pot forces at the base—estimated at 2,500 troops—have suffered substantial casualties. The US Embassy in Bangkok reports that about 15,000 Kampuchean civilians have fled to Thailand to escape the fighting, and another 3,000 reportedly have been captured. [REDACTED]

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Comment: The Communist insurgents may have to abandon the position. This would expose to attack the two nearby non-Communist bases at Ban Sa Ngae and Nong Samet, where more than 90,000 civilians are located. The current Vietnamese operations appear designed largely to force the resistance to concentrate on rebuilding and reorganizing during the rainy season, which begins next month. [REDACTED]

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CHINA: Party Shakeup in the Provinces

The massive overhaul of China's provincial party committees during the past month significantly tightens the control by Deng Xiaoping and his reform-minded allies over local government. New party standing committees have been named in 28 of China's 29 provinces. In line with Deng's instructions, the average age of top local party leaders has been lowered by five to eight years, unprecedented numbers of college-educated managers and technocrats have been given leading posts, and most committees have been substantially reduced in size. [REDACTED]

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Comment: Obstruction by local officials has delayed implementation of the reform policies in some localities, and the revamping of provincial party committees was required to move the program forward. Hu Yaobang and other Central Committee members have directly supervised the restructuring, which is crucial to the highly sensitive party rectification scheduled for 1983-86. In some provinces the reformers evidently have encountered problems and have had to compromise. Only two of the seven first secretaries slated for retirement at the party congress last September have actually stepped down, and three first secretaries who previously resisted reform were reappointed. [REDACTED]

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SOUTH AFRICA: Constitutional Reform Referendum

Prime Minister Botha apparently called this week for a whites-only referendum on his government's proposed new constitution to demonstrate to conservative opponents that he has a broad base of support. Meanwhile, US Embassy sources report that Botha is under continuing pressure from conservatives in his National Party to place strict limits on the powers allowed Coloreds and Asians. They are the only nonwhites who will be allowed to participate in the new system.

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Comment: Botha has the necessary votes in the parliament to enact his limited reform package. Nonetheless, he probably believes that a referendum—which public opinion polls indicate would support his proposals—would strengthen his hand among party conservatives. A favorable referendum also would help balance possible party losses in a byelection slated for 10 May. Opposition candidates would portray gains in the byelection as proof of white opposition to reforms.

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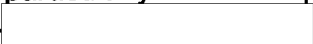
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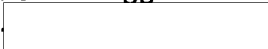
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25X1**USSR: Personnel Changes in Petroleum Industry**

The First Deputy Gas Minister in charge of offshore oil and gas operations was fired last month for incompetence, according to senior Soviet officials. His predecessor, V. I. Mishchevich, who was originally credited with being the moving force behind the offshore program, reportedly will be transferred to a responsible position in the Oil Ministry. Mishchevich has criticized the Oil Minister as an incompetent manager, particularly for overemphasizing production at the cost of exploration. 

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Comment: The apparent recognition that oil exploration needs more emphasis, the declining growth of oil production in recent years, and the promotion of Mishchevich suggest that the current Oil Minister's job is in jeopardy. 

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Special Analysis

ANGOLA: UNITA's Military Strategy

The UNITA insurgents have enjoyed their greatest military successes during their current offensive, launched last October. Nonetheless, they have yet to achieve their goal of driving the Angolan Government to the bargaining table. Although South Africa is likely to continue its strong support for UNITA, the guerrillas are wary of Pretoria's dialogue with Luanda. They fear that any accommodation between the two governments would work to UNITA's disadvantage.

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UNITA now dominates the southeastern region of Angola, except for several government strongpoints. The insurgents captured an Angolan garrison at Lumbala Nguimbo in November and now occupy a sizable portion of Moxico Province. In this region, they have relied primarily on conventional military tactics.

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In central Angola, the insurgents have isolated a number of government positions, including the key city of Huambo, and have interrupted road and rail transport throughout the region. In late January they attacked a prison near Quibala and freed several hundred prisoners—an action government officials have cited as a sign of the rebels' growing strength and the regime's weakness.

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The guerrillas also have carried out raids in the north, well outside their usual area of operation. They have concentrated on transportation links between Luanda and the diamond-mining region in the northeast. The insurgents destroyed a key bridge west of Saurimo in December, and they have attacked roads and a rail line around Malange.

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Several UNITA operations seem designed primarily to attract public attention both in Angola and elsewhere. The insurgents sabotaged a key hydroelectric plant in west-central Angola in January, cutting off electricity to Lobito and Benguela. In another attack in this region in mid-March, they captured some 64 Czechoslovak and 20 Portuguese aid technicians and dependents, whom they are still holding.

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The UNITA offensive has forced Cuban troops to become more involved in the fighting.

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Reaction in Luanda

[redacted] UNITA's gains have
instilled a sense of crisis throughout the ruling Popular Movement [redacted]

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In addition, friction among the Angolans, Soviets, and Cubans is increasing. Soviet and Cuban advisers recently criticized dos Santos and other government leaders for weak leadership and failure to cope with the insurgency. [redacted]

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The government has refused to negotiate with the insurgents, but it has held direct talks with South Africa. Discussions in Cape Verde in December and February focused on a possible cease-fire and withdrawal of South African, Cuban, and Namibian guerrilla forces from southern Angola. [redacted]

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A third round of talks may be held soon. If so, Luanda may offer to rein in the Angola-based Namibian guerrillas if Pretoria will cut aid to UNITA. [redacted]

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The South Africans, however, probably are unwilling to abandon UNITA and do not believe that the Angolans can control the SWAPO guerrillas. Pretoria thus would be unlikely to accept such a proposal.

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UNITA's Plans

Although South Africa almost certainly will continue providing substantial support, the insurgents are worried about the possibility of a cease-fire and disengagement pact between Pretoria and Luanda. UNITA leader Savimbi recognizes that such an accord could release Angolan and Cuban troops now tied down in defensive positions near the South African-occupied zone. [redacted]

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UNITA intends to keep military pressure on the government. [redacted]

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and the insurgents are likely to score further military successes. They hope at a minimum to force Luanda to negotiate some sort of power-sharing arrangement. Nevertheless, this goal probably will remain out of reach as long as Cuban forces protect the capital and other key locations, no matter how heavily UNITA scores elsewhere. [redacted]

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